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FM AMEMBASSY COLOMBO
TO RUEHC/SECSTATE WASHDC 4707
INFO RUCPDOG/USDOC WASHDC
RUEHNE/AMEMBASSY NEW DELHI 0204
RUEHKA/AMEMBASSY DHAKA 9586
RUEHIL/AMEMBASSY ISLAMABAD 6514
RUEHKT/AMEMBASSY KATHMANDU 4571
RUEHKP/AMCONSUL KARACHI 2056
RUEHCG/AMCONSUL CHENNAI 7056
RUEHGV/USMISSION GENEVA 1509
RUEHC/DEPT OF LABOR WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP

UNCLAS SECTION 01 OF 02 COLOMBO 001902

SIPDIS

SENSITIVE, SIPDIS

DOL/ILAB FOR TINA MCCARTER

DRL/IL FOR LAUREN HOLT

STATE FOR SA/INS

MCC FOR D NASSIRY AND E BURKE

E.O 12958: N/A

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SUBJECT: SRI LANKA: TRANSPORT AND PETROLEUM DEVELOPMENT MINISTER
WANTS DEVELOPMENT, BUT DOESN'T WANT TO PAY

¶1. (SBU) Ambassador Blake called on Minister A. H. M. Fowzie October 25 to discuss transportation and petroleum development. Fowzie is Minister of Railways and Transport and Minister of Petroleum and Petroleum Resources Development. Fowzie's political career began 47 years ago, including significant experience in transport ministries, but little in petroleum matters.

Offshore Oil Development

¶2. (SBU) The Ambassador told Fowzie that he wanted to promote trade between Sri Lanka and the US, and development of Sri Lanka's infrastructure. The Ambassador listed the various forms of assistance the USG is providing to ensure the successful development of Sri Lanka's offshore oil and natural gas reserves. Fowzie expressed appreciation for the various USG programs underway to develop Sri Lanka's offshore oil and natural gas resources. He agreed to a timeline presented by the Ambassador. However, the following week, a Petroleum Ministry official informed EconOff that, due to time limitations, the GSL would not require assistance for development of its production sharing contract.

Dilapidated, Bankrupt Railway System; Seeks China Credit for Engine Purchases

¶3. (SBU) The Ambassador asked about Fowzie's views of Sri Lanka's mass transit systems. Fowzie replied that the trains, which are state-owned, are losing 5 billion rupees annually (approximately USD 50 million) and blamed the near 100 percent subsidy given to Government of Sri Lanka (GSL) employees. (Comment: A Railway fare for the average commuter costs around 53 Sri Lanka cents per km, resulting in a 30 mile commute costing about USD 15 cents. With the subsidy, GSL employees pay only 3 Sri Lankan cents for the same commute, and can commute round trip for two days before paying one US cent. The operational cost of railway is 1.25 Sri Lankan rupees per km, resulting in an 85 percent subsidy for the non-governmental commuter and a 97 percent subsidy for governmental workers. End Comment.)

¶4. (SBU) Fowzie said it was extremely difficult to improve the railway system, noting that railway employees belong to more than 100 unions, and that he needed to spend much of his time working on union matters. He described a time in 1970 when he served as the minister responsible for the railroad system. Back then, he fought against a proposal to increase railway fares, arguing that it was not fair to increase fares when the system needed fixing. Thirty six years later, with a railway system in shambles, Fowzie still expressed opposition to a fare increase. He said that the railroad should give its passengers "something worthwhile, rather than dilapidated cars."

¶5. (U) Fowzie mentioned several potential railroad projects, including a credit package from China for train engines and the renovation of the railroad between Galle and Matara which is to be supplied through India. He also said that a study had been prepared by a German company for a Colombo monorail system, but did not indicate that he anticipated this would develop.

Oil Refinery Stymied Because of Privatization Fears; Hambantota Refinery Production for Export

¶6. (SBU) Ambassador asked Fowzie about a proposal submitted by a US company for construction of an oil refinery just outside Colombo on a built-own-operate-transfer (BOOT) basis. The refinery would have been built alongside a currently existing state-owned refinery. Fowzie replied that the project would not go forward, due to objections of some, saying that the purpose of the proposal was to "destroy" the state-owned refinery.

¶7. (SBU) Asked about the plans and purposes for a refinery in Hambantota in the deep south, Fowzie replied that its production

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will be exported. He added that the production could always be used in case of emergency within Sri Lanka.

Comment

¶8. (SBU) Minister Fowzie is a career politician who has managed to survive through many governments with their varying platforms. While not discussed during the meeting, Fowzie staunchly supported the need to subsidize gasoline, diesel, and kerosene earlier this year, and then reduced or eliminated subsidies on the first two products. He recently refused demands from private bus owners to increase bus fares of dangerously overcrowded busses (arguing that people can't afford such an increase). Fowzie still holds fast to the opinion he held in the 1970s that people should not pay dearly for limited resources. The problem is that Sri Lanka is getting what it pays for: dangerous, overcrowded systems that don't serve anyone very well, and suck funds away from higher priorities.

BLAKE